

Message Text

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ACTION EA-14

INFO OCT-01 EUR-25 ISO-00 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

SP-03 CIEP-02 OMB-01 DODE-00 PM-07 H-03 L-03 NSC-07

PA-04 PRS-01 SS-20 USIA-15 DRC-01 IO-14 /184 W

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R 120622Z APR 74

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 1228

INFO AMEMBASSY CANBERRA

AMEMBASSY THE HAGUE

AMEMBASSY JAKARTA

AMEMBASSY WELLINGTON

C O N F I D E N T I A L TOKYO 4827

E.O. 11652 GDS

TAGS: EAID, ID, JA

SUBJ: AID LEVELS TO INDONESIA

REF: STATE 070781 B. JAKARTA 4247 C. STATE 168263

SUMMARY: MIKANAGI, FONOFF ECONOMIC COOPERATION BUREAU
DIRECTOR GENERAL, CALLED IN ECONCOM/MIN TO EXPRESS FONOFF
REGRET RE USG DECISION REDUCE AID TO INDONESIA AND REQUEST
RECONSIDERATION, STRESSING IMPORTANCE FONOFF ATTACHES THIS
MATTER. ECONCOM/MIN EXPLAINED USG ACTION ALONG
LINES REFTEL C AND EXPRESSED MOST SERIOUS DOUBT DECISION
WOULD BE ALTERED. END SUMMARY.

1. ON APRIL 11, MIKANAGI, DIRECTOR GENERAL, ECONOMIC CO-
OPERATION BUREAU, FONOFF, CALLED IN ECONCOM/MIN TO DISCUSS
QUESTION OF AID TO INDONESIA.

2. MIKANAGI SAID THAT FONOFF HAS RECENTLY RECEIVED
INFO FROM BOTH JAKARTA AND WASHINGTON THAT USG HAS DE-
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CIDED TO REDUCE ITS AID TO TOTAL OF DOLLARS 176 MILLION,

LESS THAN AMOUNT PLEDGED AT LAST IGGI MEETING (233 MILLION). THIS REDUCTION BY THE USG WILL SIGNIFICANTLY AFFECT OTHER COUNTRIES' ASSISTANCE LEVELS, MIKANAGI SAID. IN JAPAN'S CASE, FONOFF IN PROGRESS OF DISCUSSING AID LEVELS WITH OTHER INTERESTED MINISTRIES AND MINISTRY OF FINANCE CAN BE EXPECTED TO ARGUE THAT SINCE USG REDUCING ITS AID FROM LEVEL PLEDGED AT CONFERENCE IT ALL RIGHT FOR GOJ, WHICH DID NOT PLEDGE AT CONFERENCE, TO REDUCE ITS AID ALSO. UNDER THE CIRCUMSTANCES, HE SAID, IT WILL BE HARD FOR GOJ TO STICK TO ONE THIRD FORMULA.

3. MIKANAGI STATED THAT HE REGRETS VERY MUCH USG DECISION ESPECIALLY IN LIGHT OF IMPORTANCE USG AID TO TOTAL IGGI AID, AND REQUESTED THAT USG RECONSIDER ITS DECISION IN LIGHT OF IMPLICATIONS IT HAS ON AID THAT WILL BE MADE AVAILABLE BY OTHER COUNTRIES.

4. IN RESPONSE ECONCOM/MIN'S QUESTION, MIKANAGI SAID HE SPEAKING AS FONOFF REP AND NOT AS GOJ SPOKESMAN. HE STRESSED THAT THIS QUESTION VERY IMPORTANT TO FONOFF, AS FONOFF WILL BEGIN NEGOTIATIONS WITH INDONESIANS LATER IN APRIL CONCERNING NEXT IGGI SESSION, AND FONOFF CONCERNED OVER IMPACT THIS PROBLEM ON RELATIONS WITH INDONESIA. PRIOR TO THESE NEGOTIATIONS FONOFF MUST UNDERTAKE CONSULTATIONS WITH OTHER MINISTRIES AND USG DECISION WILL WEAKEN FONOFF'S POSITION IN THESE CONSULTATIONS. ADDITIONALLY, PRIME MINISTER TANAKA TOLD PRESIDENT SUHARTO DURING RECENT VISIT TO SOUTHEAST ASIA THAT JAPAN WOULD PROVIDE ONE THIRD OF BILATERAL NON-FOOD AID (ABOUT DOLLARS 200 MILLION) AND THIS PLEDGE BY TANAKA ALSO CAUSED FOR CONCERN.

5. ECONCOM/MIN REPLIED THAT ALTHOUGH HE HAD NO INSTRUCTIONS, HE PERSONALLY FELT THERE NO REALISTIC POSSIBILITY OF RECONSIDERATION. USG DECISION WAS NOT TAKEN LIGHTLY OR WITHOUT FULL CONSIDERATION OF ITS IMPLICATIONS, AND WAS PAINFUL FOR USG. TWO MAIN CONSIDERATION FOR USG DECISION WERE:

A) RECENT INCREASE IN INDONESIA'S FOREIGN
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EXCHANGE RESERVES AS RESULT OF OIL PRICE RISES, UNFORSEEN AT TIME OF IGGI MEETING, WHICH HAS ALTERED SITUATION DRASTICALLY.

B) ENTIRE USG AID PROGRAM FACING DIFFICULTIES. EXECUTIVE BRANCH WORKING HARD TO MAINTAIN ADEQUATE AID PROGRAM, BUT FROM DISCUSSIONS WITH INDIVIDUAL CONGRESSMEN IT CLEAR THAT BASICALLY UNCHANGED LARGE AID PROGRAM REQUEST FOR OIL PRODUCING COUNTRY WOULD ENDANGER NOT ONLY THAT COUNTRY'S PROSPECTS

BUT USG AID PROGRAM IN GENERAL.

6. FURTHERMORE, SAID ECONCOM/MIN, FACT THAT IBRD INDEPENDENTLY HAS REACHED SIMILAR CONCLUSION ON REDUCED AID NEEDS WOULD EXPOSE USG TO ADDITIONAL DOMESTIC CRITICISM IF ITS PROGRAM WERE MAINTAINED AT PREVIOUSLY PLEDGED LEVELS. FOR ALL OF THESE REASONS, THEREFORE, USG FELT IT HAD NO ALTERNATIVE BUT TO MAKE THIS DECISION.

7. MIKANAGI SAID HE AWARE OF USG THINKING FROM REPORTS OF GOJ EMBASSY WASHINGTON, BUT BECAUSE OF IMPORTANCE THIS ISSUE HE HAD WANTED TO MAKE APPROACH TO EMBASSY. ONE THIS NOT CLEAR, THOUGH, IS WHETHER USG DECISION MEANS USG PROGRAM AID TO INDONESIA WILL BE REDUCED TO ZERO. USG'S STOPPING ALL PROGRAM AID WOULD ALSO AFFECT

GOJ AID, HE SAID.

8. FINALLY, MIKANAGI SAID THAT ADB PRESIDENT INOUE HAD VISITED HIM RECENTLY AFTER TALKS WITH IBRD CONCESSIONAL AID TO INDONESIA MIGHT BE REDUCED, TOTAL AMOUNT OF ASSISTANCE MIGHT REMAIN SAME.

9. ACTION REQUESTED: DEPARTMENT CLARIFY USG INTENTIONS ON PROGRAM AID FOR RESPONSE TO MIKANAGI'S QUESTION PARA 7 ABOVE.
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